

Message

From: Bill Bettenberg [BBettenberg@homerlaw.com]
Sent: 7/25/2014 8:03:00 PM
To: Lorenz, Robert (IHS/PHX) [Robert.Lorenz@ihs.gov]; Hughes, Adam (IHS/PHX) [Adam.Hughes@ihs.gov]
CC: lpuhuyesva@hopi.nsn.us; 'GMase@hopi.nsn.us' [GMase@hopi.nsn.us]
Subject: HAMP rates

I was just preparing some presentation materials on HAMP for George Mase and it occurred to me that we need to qualify the user fee cost components in the Strategic Plan and PER. Tables 14-7 and 14-8 of the draft Strategic Plan show an "equivalent monthly fee per connection of \$34.60 plus a usage fee of \$2.55" per thousand gallons of water. Table 8.4 of the PER translates this into \$35.00 as a base fee per customer and an additional usage fee of \$2.55 per thousand. For planning purposes, the PER assumes 6,400 gpm of water usage per connection (i.e., per household). Since HPUA will be wholesaling water, however, I think they will necessarily have to just have a usage fee -X dollars per 1,000 gallons per month. Otherwise, HPUA would have to have a tracking system for the number of connections, fees for water provided without household connections would need to be taken into account, there would be substantial incentive to cheat on the number of connections, and the billing will get very complicated.. It will be complicated enough as it is since the high price of water will reduce demand and reduced demand will drive the price even higher – kind of a vicious cycle. It is important to know what the fixed and variable costs will be, but the wholesale rate should be addressed directly in Section 8.7 of the PER and Section 14 of the Strategic Plan.

A couple of other observations:

1. The Table 5.2 averages are not weighted by the village use figures, but should be. I haven't done the calculation, but it will probably increase the reported EDU average of 6,421 gpm.
2. The PER Table 8.4 estimated monthly HAMP cost per connection of \$49.78 doesn't seem quite right. If I take the \$2.55 usage fee x 6,400 gallons per month, I get \$16.32; add that to the base rate of \$35.00 and you end up with \$51.32 rather than \$49.78. I'm not sure what accounts for the difference.
3. If I'm correct that the wholesale rate will need to be a fixed amount per thousand gallons per month, the \$51.32 divided by 6,400 (using the unweighted average, rounded) comes out to \$8.02 per thousand gallons. At that price you would expect to see less water consumed and the price would be even higher.

Please include this information as part of our comments on the PER and Strategic Plan.

Bill

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